

HALF-YEAR RESULTS PRESENTATION

December 2017

Mitchell
SERVICES

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MITCHELL SERVICES MARKET PROFILE

ASX Information

ASX Stock Symbol:	MSV
Shares Issued:	1,734,965,831
Share Price (at 26/02/2018):	A$0.041
Market Capitalisation:	A$71.1m

Board of Directors

- Executive Chairman – Nathan Mitchell
- Non-Executive Director – Peter Miller
- Non-Executive Director – Robert Douglas
- Non-Executive Director – Neal O'Connor

Major Shareholders

Mitchell Group	20.4%
Washington H Soul Pattinson	10.4%
CVC Limited	4.7%
Viburnum Funds	3.9%

Senior Management Team

- Chief Executive Officer – Andrew Elf
- CFO & Company Secretary – Greg Switala
- GM People and Risk – Josh Bryant
- GM Commercial – Todd Wild

SAFETY UPDATE

- Finishing each day without harm is a **core Mitchell Services value**
- Key initiatives implemented to **strengthen safety culture** and performance have primarily focused on key risks and field leadership
- Continued reduction in recordable incident occurrence and severity
- Focus on training to attract, retain and further develop our own drillers in an improving market

1ST HALF FY18 BUSINESS OVERVIEW

7,234 shifts in 1H FY2018

↑ 64%

from 1H FY2017

Total recordable incident frequency rate

less than 10

at 31 December 2017

250+

experienced employees

Major project wins have increased **geographical diversity** and **increased operating rig** count by 56%

Modest EBITDA increase to

$2.7m

impacted by material levels of ramp up associated with major project wins

Total revenue of $33.22m

↑ 59%

from 1H FY2017

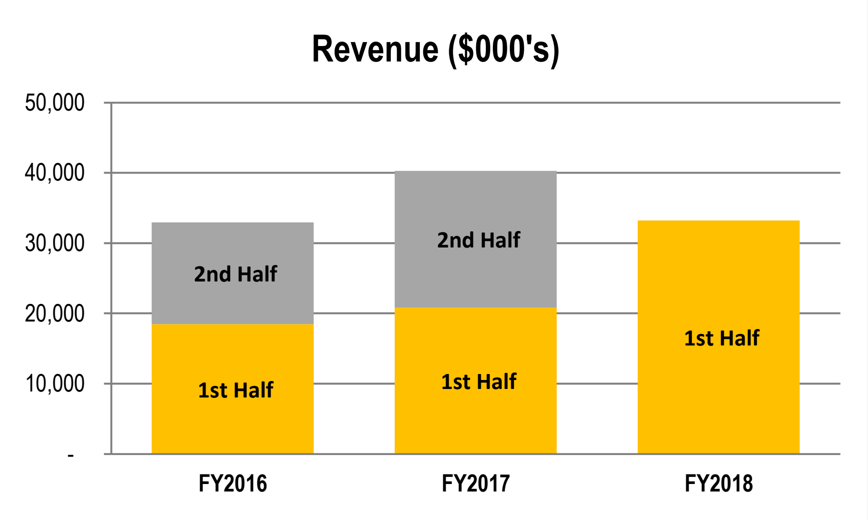
RESULTS OVERVIEW

Profit & Loss

	1st Half FY18	1st Half FY17	1st Half FY16	Change
	$000's	$000's	$000's	%
Revenue	33,215	20,843	18,472	59%
EBITDA	**2,678**	**2,559**	**131**	**5%**
EBIT	**(374)**	**(114)**	**(2,467)**	**(229%)**
NPBT	**(1,195)**	**(719)**	**(3,116)**	**(66%)**

Balance Sheet

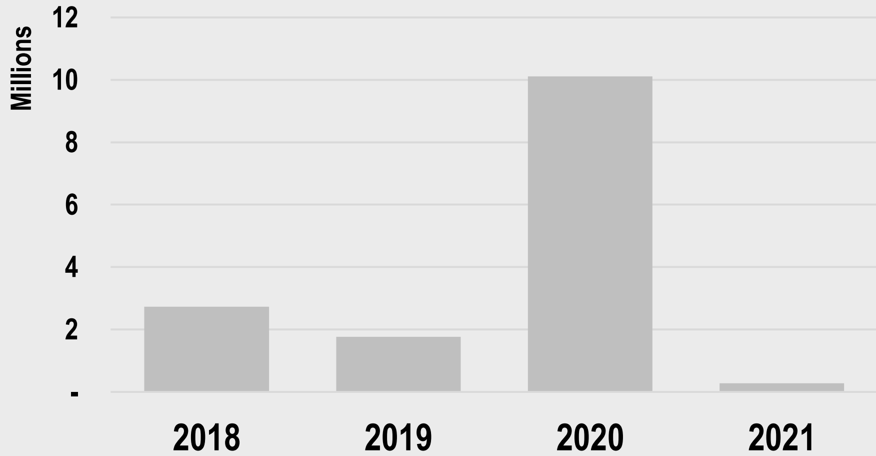
	31 Dec 17	30 Jun 17	Change
	$000's	$000's	%
Current assets	22,419	10,100	122%
Non-current assets	30,029	29,937	0%
Total assets	**52,448**	**40,037**	**31%**
Current liabilities	17,176	12,139	41%
Non-current liabilities	13,229	13,253	(0%)
Total liabilities	**30,405**	**25,392**	**20%**
Net assets	**22,043**	**14,645**	**51%**



- First half EBITDA impacted by material levels of ramp up associated with major project wins
- The outlook for the second half of the 2018 year is positive with the company anticipating a material increase in both revenue and EBITDA in 2H FY2018 versus 1H FY2018 (barring any unforeseen events such as bad weather)

GROUP DEBT PROFILE

Balance sheet reflective of growth organisation in an improving market



	31 Dec 17	30 Jun 17
	$000's	$000's
Equipment finance	7,723	6,476
Shareholder loans	8,500	8,500
Total	**16,223**	**14,976**

Shareholder Loans

- Originated in 2015 as a funding mechanism for the Nitro asset acquisition
- Interest at 10% pa.
- Matures July 2020
- Secured by all ex-Nitro assets
- Debt is not convertible to equity
- Received from major shareholders Washington H Soul Pattinson & Company Limited and Mitchell Family Investments (Qld) Pty Ltd

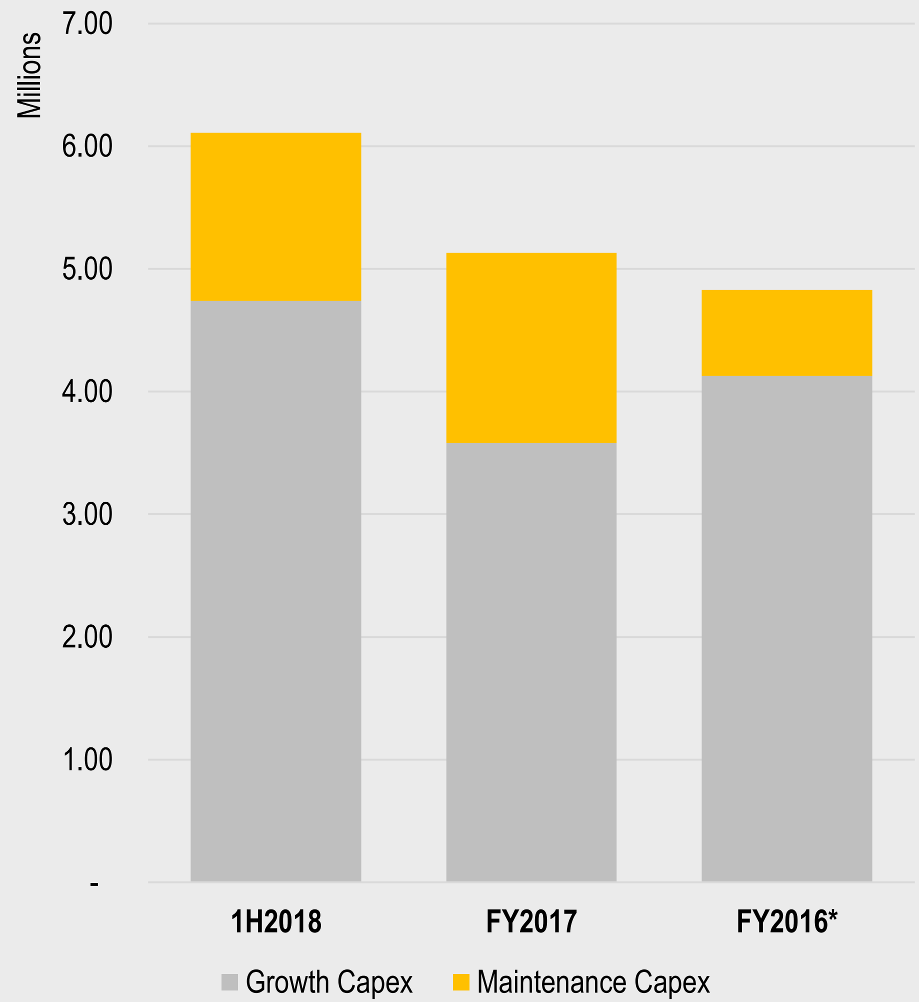
- 2018 and 2019 debt maturity levels are in line with previous years, and are anticipated to be funded by operating cash flow

Figures based on debt levels at 31 December 2017

CAPITAL EXPENDITURE

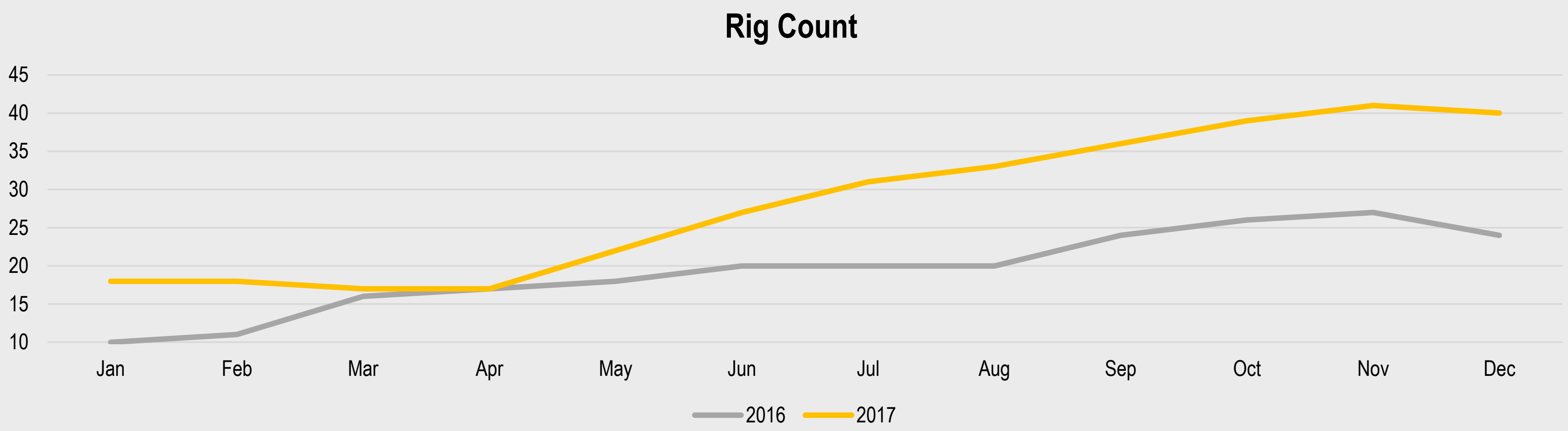
- Growth capital expenditure is primarily made up of new rigs and ancillary equipment to support growth in the underground and large diameter markets

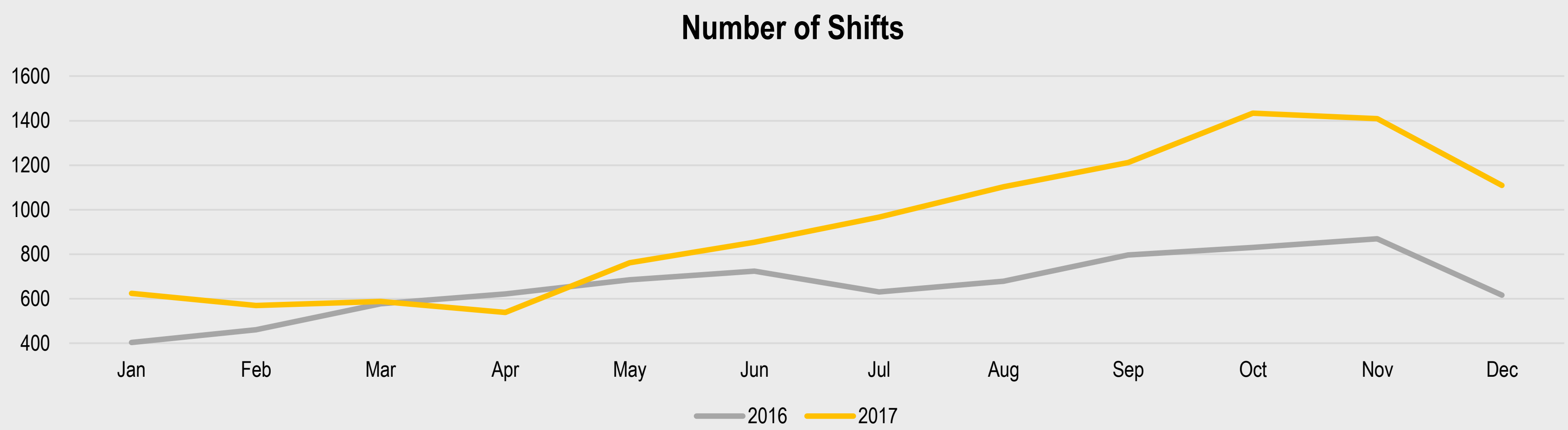
- Maintenance capital expenditure includes all capital expenditure on existing rigs and equipment, in HY18 represents 45% of the Groups HY depreciation and amortisation



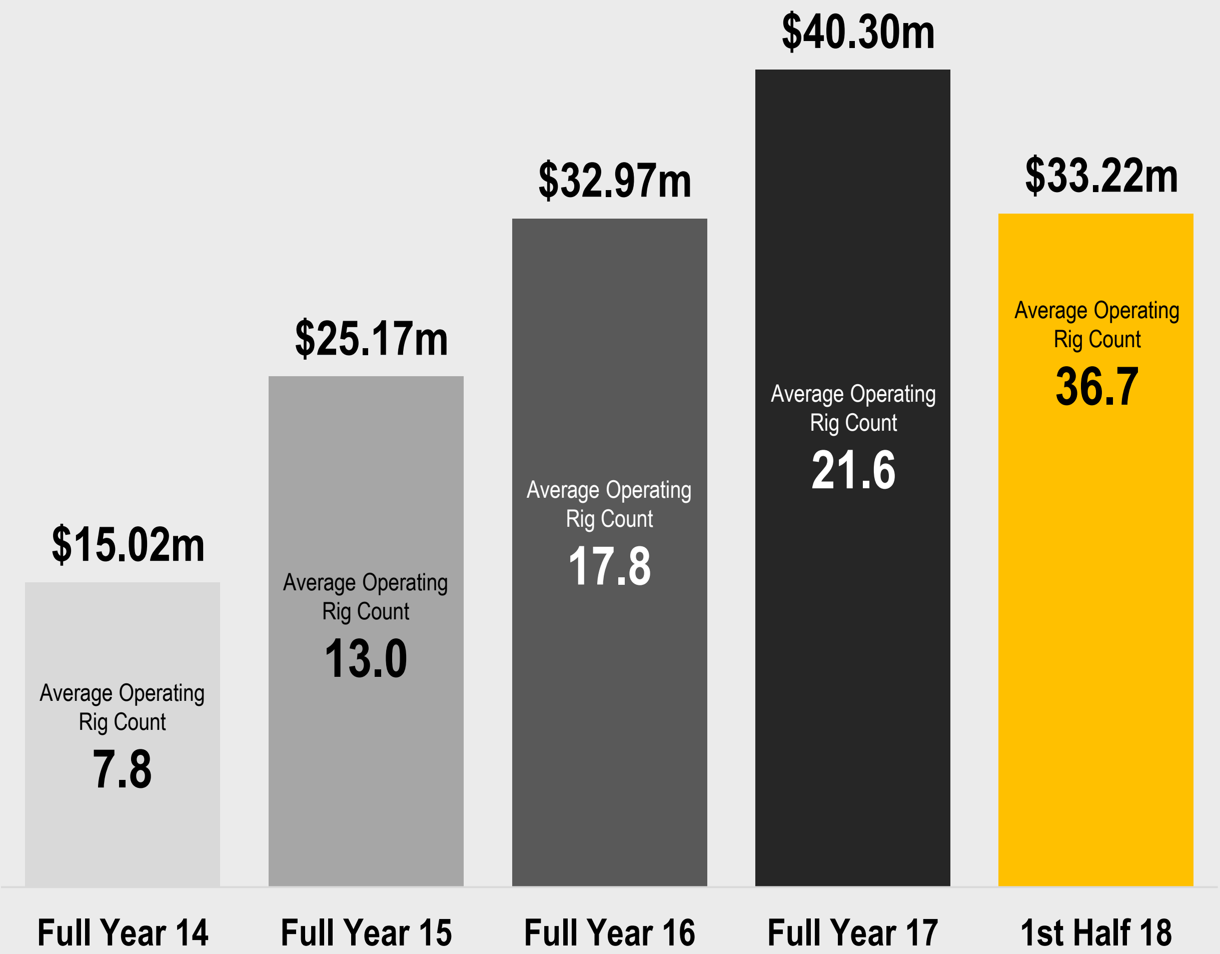
*Excludes Nitro asset acquisition $15.8m

12 MONTH UTILISATION TO DEC 17





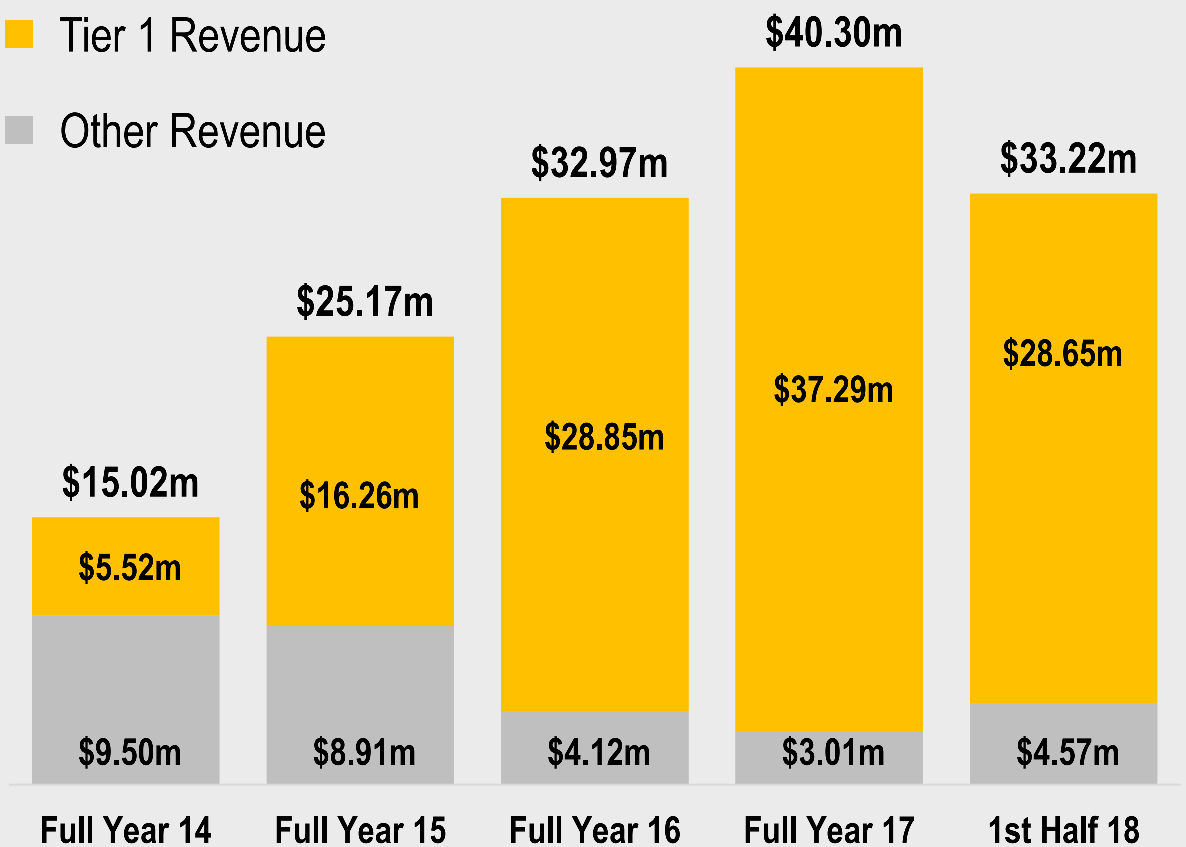
IMPACT OF INCREASED UTILISATION ON REVENUE



- Rig utilisation peaked at 41 rigs in November 2017
- Operating rig count subject to change due to seasonality or other factors
- Average revenue per operating rig remains at circa $1.8m on an annual basis

OPERATING REVENUE BY CLIENT TYPE

Strong year on year revenue growth

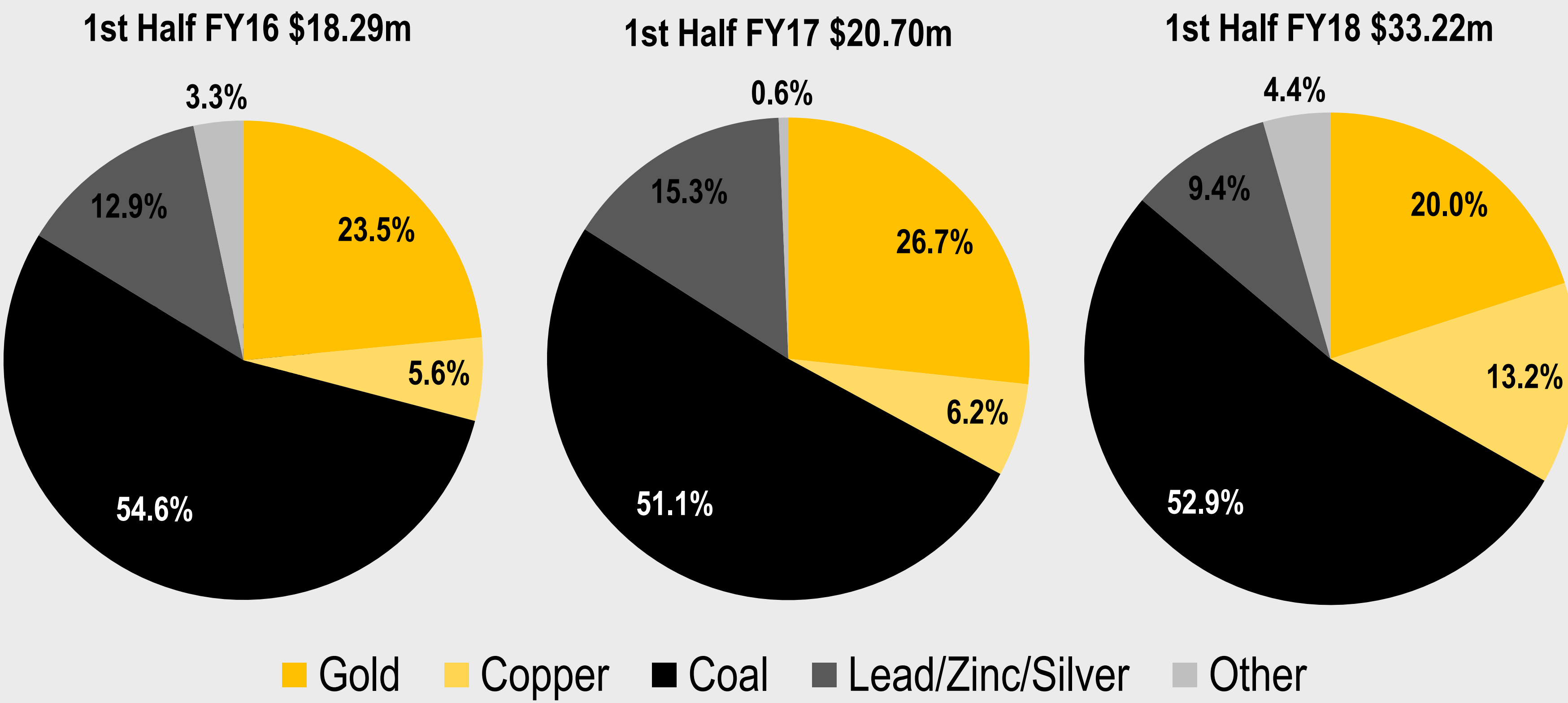


*large / multinational mining & energy companies

VALUE OF TIER 1

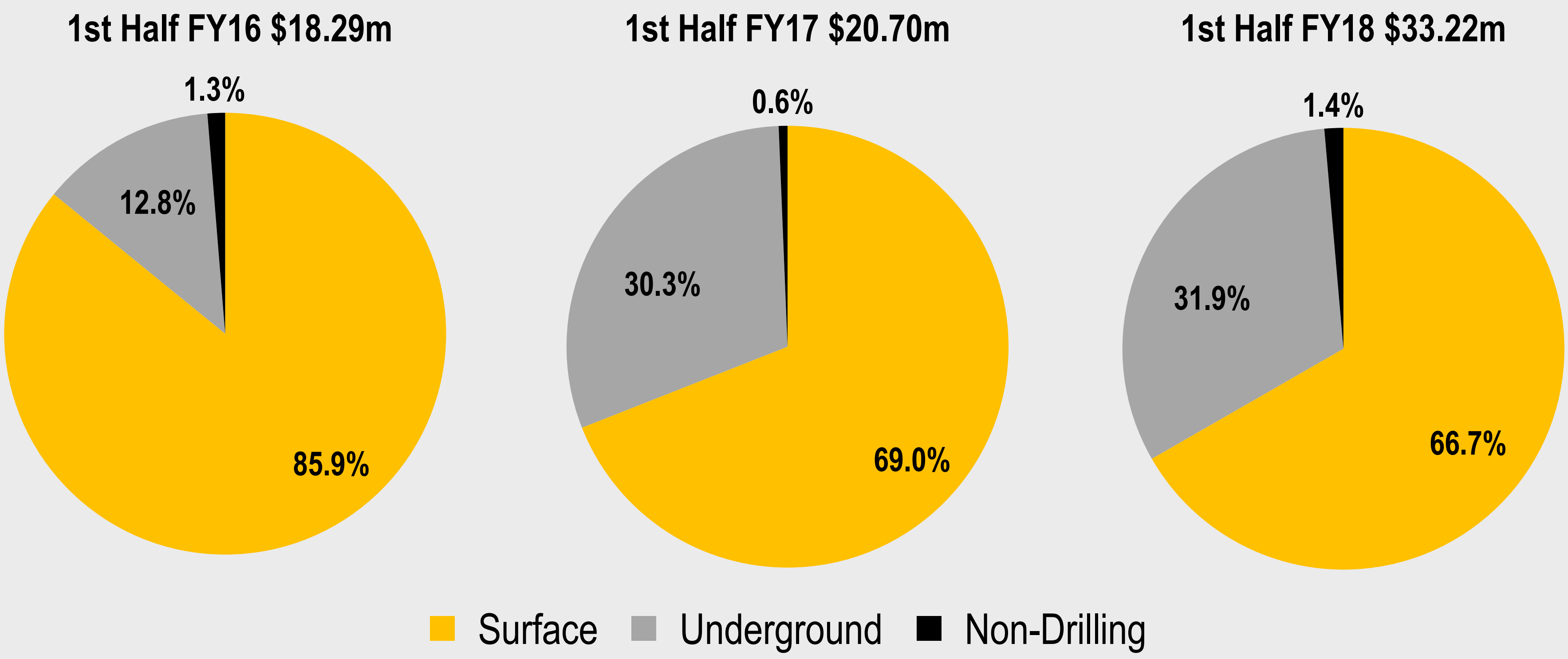
- Large / multinational mining and energy companies
- Very high safety and business system requirements
- Generally brownfield work for existing mining operators
- Longer term contracts
- Material increase in other client revenue as general market conditions continue to improve

OPERATING REVENUE BY COMMODITY



Management remains mindful of the importance of diversification in revenue streams including diversity in commodity mix. Our commodity mix remains well balanced with revenue from coal and revenue from minerals accounting for 53% and 47% of total operating revenue respectively.

OPERATING REVENUE BY DRILLING TYPE



Increase in underground revenue strengthens overall revenue diversity

Management remains mindful of the importance of diversification in revenue streams including diversity in the mix between underground and surface drilling. Underground drilling is generally performed on a double shift basis and is generally not subjected to seasonal fluctuations. Revenue from underground drilling is expected to increase upon completion of the previously announced Radco acquisition.

LEVERAGE IN AN IMPROVING MARKET

- **STAGE 1: UTILISATION INCREASES**
- More rigs start working (This is happening)

- **STAGE 2: PRODUCTIVITY IMPROVES AS UTILISED RIGS WORK MORE SHIFTS**
- Seasonality impact reduces as rigs work through the wet season (This is starting to happen in limited areas)
- More rigs work 24 hours a day 7 days a week versus 12 hours a day (Limited rigs in the Energy sector work 24 hours a day)

- **STAGE 3: PRICE INCREASES AS SUPPLY AND DEMAND CHANGES IN FAVOUR OF SERVICE PROVIDERS**
- On average across a range of different drilling types prices are still circa 20% - 40% below those of the highs in the last cycle (Large Diameter, Surface and Underground)
- HQ Core in the Energy sector is circa $110 per metre down from $150 per metre

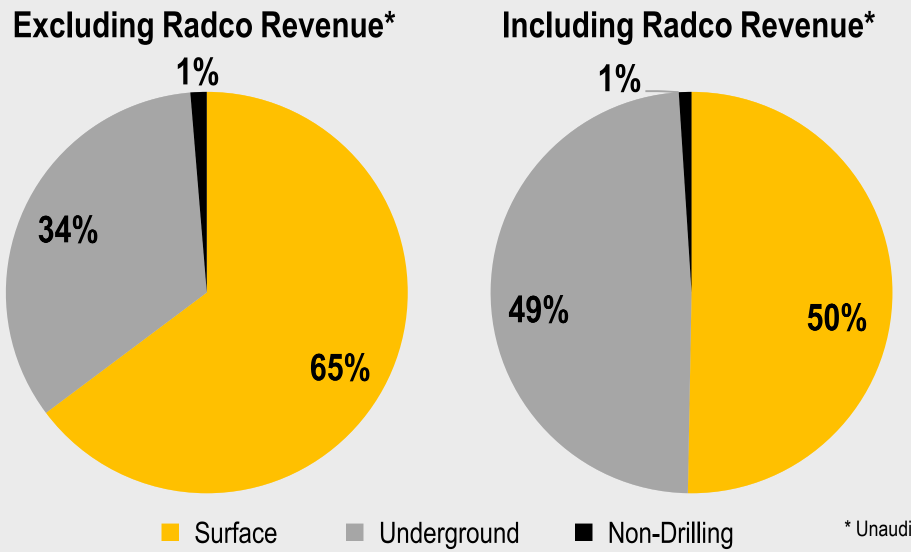
- **STAGE 4: GENERAL CONTRACT TERMS & CONDITIONS IMPROVE**
- Larger up front mobilisation charges to manage ramp up costs
- Larger demobilisation charges
- Take or pay contracts
- More flexible pricing schedule of rates

EBITDA as a percentage of revenue will increase significantly if the market continues to improve

RADCO ACQUISITION (POST 31 DEC 17)

- Binding agreement signed to acquire 100% of the shares of Radco Drilling subject to conditions precedent being satisfied
- Purchase price $5.3million cash plus standard working capital adjustments
- Expected to be materially EBITDA, NPAT and EPS accretive
- Expected to be funded via existing working capital, asset sales and debt without increasing the debt in the medium term
- Enters the market of underground coal drilling and gas drainage servicing 'Tier 1' client base
- Will increase revenue diversification
- Fleet of 11 underground drill rigs
- Utilisation has increased 30% from FY17 and is likely to continue to increase
- Anticipated debt free balance sheet on settlement

FY17 theoretical Mitchell Services Group results including Radco



* Unaudited

MARKET OUTLOOK

- **Competitive Profile** of the market has continued to **improve**, however, pricing remains competitive

- **Pipeline** of identified **opportunities** remains **strong** and demand continues to increase for drilling services

- Clients are **more active** across greenfield and brownfield sectors

- **Ability to leverage** to the upside as general market conditions **improve**:
  - Drilling rates
  - Utilisation (operating rig count)
  - Contract terms and conditions
  - Productivity per rig (double shift operations)

- The outlook for the second half of the 2018 year is positive with the **company anticipating a material increase in both revenue and EBITDA in 2H FY2018 versus 1H FY2018** (barring any unforeseen events such as bad weather)

SUMMARY

- Mitchell Services' vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- Tender pipeline provides opportunity to further **increase rig utilisation**
- Previous acquisitions of surface assets early in the cycle has positioned Mitchell Services to **generate a superior return** versus investing in new equipment
- Mitchell Services has a diverse revenue stream across different drilling types and commodities and will continue to take advantage of **strategic opportunities** including the potential Radco acquisition
- First half EBITDA impacted by material levels of ramp up with major project wins but second half **revenue, margin and EBITDA will be higher** than the first half (barring any unforeseen events such as bad weather)
- Ability to leverage increased returns in an **improving market**